A/65/5/Add.11

United Nations

International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

General Assembly
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Sixty-fifth Session
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International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

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Report of the Board of Auditors

United Nations • New York, 2010

Note

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[16 July 2010]

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Letters of transmittal

31 March 2010

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium ended 31 December 2009, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

The Chair of the Board of Auditors
United Nations
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium ended 31 December 2009, which comprise the statement of income, expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities and reserves and fund balances as at 31 December 2009 (statement II), the statement of cash flows (statement III), the statement of appropriations (statement IV) and explanatory notes thereto. The audit did not cover the annex to the financial statements, as the information contained therein is reflected in schedule 7.1 of A/65/5 (Vol. I).

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Criminal Tribunal for Rwanda as at

31 December 2009 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Without qualifying our opinion above, we draw attention to the following matters relating to non-expendable property:

(a) Based on the physical count conducted by the Tribunal, 1,625 discrepancies were identified, mainly in the form of incorrect locations being recorded in the database, while 339 items valued at $465,279 could not be located;

(b) According to note 7 to the financial statements, of the amount of $20.02 million shown as non-expendable property, $1.15 million represented assets approved for write-off but not yet disposed of, while $1.27 million represented assets pending approval for write-off;

(c) Of the 11,665 non-expendable property items recorded in the field assets control system, 3,323 items did not have an indication of the status of their condition, while 557 items were without bar codes.

These matters are a reflection of the quality of asset management of the Tribunal.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Tribunal that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the International Criminal Tribunal for Rwanda.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the International Criminal Tribunal for Rwanda for the biennium ended 31 December 2009. The audit was carried out at the Tribunal's headquarters in Arusha, United Republic of Tanzania.

Modified audit report

The Board issued a modified audit report, with an emphasis of matter, on the financial statements for the period under review, as reflected in chapter I. The emphasis of matter relates to certain deficiencies identified in the management and recording of assets, which are a reflection of the quality of asset management of the Tribunal.

Follow-up of previous recommendations

Of the eight recommendations made in the Board's report on the biennium 2006-2007, five were fully implemented and three were under implementation. Details of the status of implementation of these recommendations are shown in the annex to the present chapter. The Board evaluated the ageing of the three recommendations under implementation and noted that one was first made in 2002-2003 while the other two in 2006-2007.

Financial overview

For the period under review, total income was $309.96 million, compared with $281.2 million for the previous biennium, an increase of 10 per cent. Total expenditure amounted to $291.93 million, compared with $276.43 million for the previous biennium, an increase of 6 per cent. This resulted in an excess of income over expenditure of $18.03 million, compared with an excess of $4.77 million in the preceding biennium.

As at 31 December 2009, both the Tribunal's cash to total assets ratio and the cash to total liabilities ratio improved.

Statement of assets, liabilities and reserves and fund balances

Cash resources as at 31 December 2009 amounted to $54.71 million, an increase of $34.39 million compared with $20.32 million in the preceding biennium. This increase was due mainly to the net excess of income over expenditure of $25.29 million.

Unliquidated obligations increased from $13.48 million as at 31 December 2007 to $19.19 million as at 31 December 2009. The increase of $5.71 million was due mainly to the activities relating to records management and archives, and the Registry.

Unliquidated obligations amounting to $1.01 million were raised in December 2009 on the basis of 46 requisitions, instead of purchase orders. This is not in

compliance with the criteria for the creation of obligations as provided in the Financial Regulations and Rules of the United Nations. This matter was brought to the attention of the Tribunal and the financial statements were adjusted accordingly. Notwithstanding this, the Board is of the view the Tribunal needs to exercise great care in the creation of unliquidated obligations to ensure that they are in conformity with the criteria established in the financial regulations. In addition, the Board noted a high incidence of cancellation of obligations, representing 25 per cent of prior year obligations.

The reserves and fund balances showed a deficit of $8.79 million for the period under review, compared with a deficit of $38.48 million for the preceding biennium, a reduction of $29.69 million in the deficit.

End-of-service liabilities including after-service health insurance

End-of-service liabilities as at 31 December 2009 amounted to $56.74 million, compared with $65.10 million as at the end of the previous biennium, a decrease of $8.36 million. This decrease was mainly due to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of active staff in the determination of the Tribunal's after-service health insurance liabilities.

Completion strategy

The Tribunal was unable to achieve the objectives of the completion strategy as set out in Security Council resolution 1503 (2003), namely, to complete all trial activities at the first instance by the end of 2008, and all its work in 2010. According to the latest report on the completion strategy of the Tribunal (S/2009/587), the majority of the trial work was expected to be completed by the end of 2010, with some spillovers into 2011. In addition, according to the latest judicial calendar updated in March 2010 by the Tribunal, all appeal activities were projected to be completed by the end of 2013.

Legal aid system

Most of the means tests could not be finalized in a timely manner. As a result, the Tribunal could not decide whether and/or the extent to which the accused and suspects were able to afford their defence expenditure.

Procurement and contract management

A number of deficiencies in procurement activities were noted, including (a) the fact that two out of three approvals by the Headquarters Committee on Contracts were on an ex post facto basis; (b) untimely and incomplete acquisition plans; (c) lack of timeliness in conducting vendor performance evaluation; and (d) extension of some contracts without a vendor performance evaluation.

Non-expendable property management

On the basis of a physical count conducted by the Tribunal, 1,625 discrepancies were identified, mainly resulting from incorrect locations being recorded in the database. In addition, 339 items valued at $465,279 could not also be located. Further, according to note 7 to the financial statements, of the amount of

$20.02 million shown as non-expendable property, $1.15 million represented assets approved for write-off but not yet disposed of, while $1.27 million represented assets pending approval for write-off. These matters are a reflection of the quality of asset management of the Tribunal.

Human resources management

As at 31 December 2009, 105 of the 693 authorized posts were vacant, representing a vacancy rate of 15 per cent, compared with the vacancy rate of 16 per cent at the end of the preceding biennium.

Consultants, experts and temporary assistance

There were no specific guidelines on how programme managers should shortlist, evaluate and select candidates. In addition, the consultancy opportunities were not advertised either internally or externally.

Internal audit function

The post of resident auditor was vacant for nine months as at 25 April 2010. As a result, audit assignments completed during the biennium covered only 5 out of the 10 high-risk sub-areas identified.

Internal audit findings

The key findings contained in the internal audit reports for the biennium were:

(a) In the audit of property management, insufficient attention was paid to ensure the accuracy and completeness of data in the asset database and internal controls needed to be strengthened in the area of accountability for follow-up on missing assets. Also, the Office of Internal Oversight Services noted long delays in the disposal of assets that had been approved by the Local Property Survey Board/Headquarters Property Survey Board;

(b) In the audit of planning and monitoring of court schedules in the Tribunal, the Office of Internal Oversight Services was of the view that the Tribunal needed to take additional measures to strengthen its planning and monitoring of court schedules.

Disclosures by management

Management has made certain disclosures, presented in section C of the present report, regarding write-off of losses of cash, receivable and property and cases of fraud and presumptive fraud.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are that the Tribunal:

(a) **Strictly adhere to the requirements of the Financial Regulations and Rules of the United Nations to ensure that obligations are supported by appropriate obligating documents;**

(b) **Review the existing time standard between prosecution and defence as well as that between the closing of evidence and judgement delivery, to ensure that the existing circumstances are fully taken into account;**

(c) **Explore alternative options for conducting means tests in a cost-effective manner;**

(d) **Monitor all not-to-exceed amount contracts in order to avoid ex post facto cases, and ensure that the quorum of the Local Committee on Contracts meetings is available when needed;**

(e) **Investigate the discrepancies relating to non-expendable property and take appropriate measures to ensure that its asset records are accurate and reliable;**

(f) **Strictly follow the procedures and provisions stipulated in the staff selection system in relation to the staff selection process;**

(g) **Prepare, in consultation with the Office of Human Resources Management, a specific guideline for selection of consultants; and advertise consultancy opportunities both internally and externally.**

The Board's other recommendations appear in paragraphs 40, 42, 59, 61, 64, 72, 75, 76, 82, 89, 92, 96 and 99 of this report.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 and has reviewed its operations for the biennium ended 31 December 2009 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Tribunal as at 31 December 2009 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Tribunal's operations under financial regulation 7.5, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Tribunal's operations. Furthermore, the General Assembly had requested the Board to follow up on previous recommendations and to report thereon. These matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to the Tribunal in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the Tribunal. In this regard, one management letter was issued covering the period under review.

5. The Board coordinates with the Office of Internal Oversight Services in the planning of its audits to avoid duplication of efforts and to determine the extent to which it can rely on the work of the Office.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including matters relating to specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions.

7. The Board's observations and conclusions were discussed with the Tribunal, whose views have been appropriately reflected in the report.

8. The recommendations contained in the report do not address steps which the Tribunal may wish to consider in respect of officials to address instances of non-compliance with the Financial Regulations and Rules, administrative instructions and related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the eight recommendations made for the biennium 2006-2007, five (63 per cent) were fully implemented and three (37 per cent) were under implementation. Details of the status of implementation of these recommendations are shown in the annex to the present report.

10. In response to the request of the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and noted that one recommendation had first been made in 2002-2003 while the other two in 2006-2007.

Recommendations under implementation

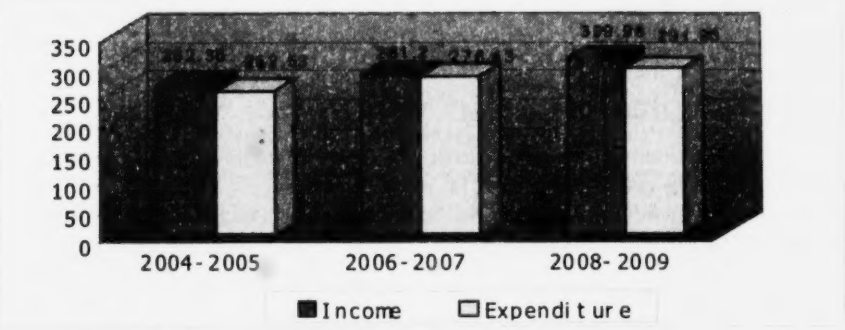
11. In paragraph 48 of its previous report (A/63/5/Add.11), the Board had recommended that the Tribunal define clearly the objectives of the Chambers and develop specific, measurable, attainable, realistic and time-bound expected outputs and performance indicators. Some of the expected outputs of the three organs were however not specific and measurable.

12. As for the recommendation for the Tribunal to formulate and implement more effective strategies to fill vacancies, the Tribunal indicated that it had undertaken intensive recruitment efforts to fill vacancies. The Board noted a vacancy rate of 15 per cent as at 31 December 2009, only 1 per cent lower than the rate at the end of the previous biennium. The Tribunal explained that gains of the recruitment efforts had been eroded by the continuing departure of staff in the biennium under review in the light of the uncertainty regarding the Tribunal's future as well as the Tribunal's inability to provide long-term appointments. Considering the Tribunal's latest expectation for its mandate to end in 2013, the Board expressed its concern regarding the impact of the vacancies on the achievement of this objective and has reiterated this recommendation in the present report.

2. Financial overview

13. Total income for the period under review amounted to $309.96 million while total expenditure amounted to $291.93 million, giving a surplus of $18.03 million. Expenditure increased by $15.5 million, from $276.43 million in the biennium 2006-2007 to $291.93 million in the biennium 2008-2009. Comparative income and expenditures for the financial periods 2004-2005, 2006-2007 and 2008-2009 are shown in figure II.1.

Figure II.1
Comparative income and expenditure
(Millions of United States dollars)



Note: Based on the audited financial statements.

14. As shown in table II.1, all of the selected financial indicators reflected improvements except the ratio of unliquidated obligations to total liabilities, which increased from 0.17 for the biennium 2006-2007 to 0.26 for the biennium 2008-2009.

Table II.1
Ratios of key financial indicators

Ratio	*Biennium ended 31 December*			*Component of 2009 ratio*[a]
	2005	*2007*	*2009*	
Assessed contributions outstanding/total assets[b]	0.32	0.36	0.14	9.68/69.32
Cash/total assets[c]	0.36	0.49	0.79	54.71/69.32
Cash/total liabilities[d]	0.74	0.25	0.70	54.71/78.11
Unliquidated obligations/total liabilities[e]	0.90	0.17	0.26	20.2/78.11
End-of-service and post-retirement benefits/total liabilities	—	0.81	0.73	56.74/78.11

Note: Based on the audited financial statements.
[a] In millions of United States dollars.
[b] A low indicator depicts a healthy financial position.
[c] A high indicator depicts a healthy financial position.
[d] A low indicator is a reflection of insufficient cash available to settle debts.
[e] A low indicator is a positive reflection of obligations being liquidated.

3. Statement of assets, liabilities and reserves and fund balances

Assessed contributions receivable

15. Assessed contributions outstanding as at 31 December 2009 amounted to $9.68 million, compared with $15.01 million for the preceding financial period, a decrease of $5.33 million or 36 per cent. This decrease indicates progress in the collection of assessments.

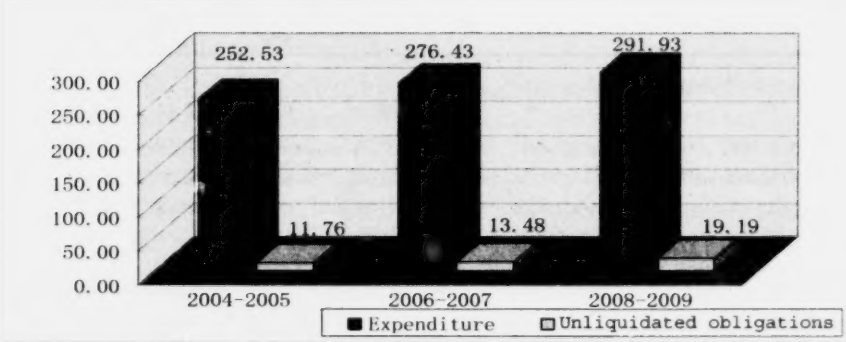
Cash and term deposits and cash pool

16. The cash resources, including cash and term deposits and cash pool, as at 31 December 2009 amounted to $54.71 million, an increase of $34.39 million, or 169 per cent, compared with $20.32 million as at 31 December 2007. This increase was due mainly to the net excess of income over expenditure of $25.29 million.

Unliquidated obligations

17. Unliquidated obligations as at 31 December 2009 amounted to $19.19 million, representing 7 per cent of the total expenditure and an increase of $5.71 million, or 50 per cent, compared with $13.48 million in 2006-2007. The increase was due mainly to the activities relating to records management and archives ($4.14 million) and the Registry ($2.53 million). Figure II.2 shows unliquidated obligations against total expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009.

Figure II.2
Unliquidated obligations as against total expenditure
(Millions of United States dollars)



18. As indicated in table II.2, the ratio of unliquidated obligations to total expenditure ratio showed an increasing trend. In addition, the ratio of cancellations of unliquidated obligations to the prior-period obligations remained high at 25 per cent as at 31 December 2009. The Board expresses its concern about the high incidence of cancellations of prior-period obligations, which might be indicative of an apparent overstatement of expenditure in previous years.

Table II.2
Analysis of cancellation of unliquidated obligations

	Biennium ended 31 December		
	2005	*2007*	*2009*
Unliquidated obligations (millions of United States dollars)	11.76	13.48	19.19
Ratio of unliquidated obligations to total expenditure (per cent)	5	5	7
Ratio of cancellation of unliquidated obligations to prior-period unliquidated obligations (per cent)	27	25	25

Note: Based on audited financial statements.

19. Rule 105.9 of the Financial Regulations and Rules of the United Nations provides that "an obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. All obligations must be supported by an appropriate obligating document".

20. The Board noted that unliquidated obligations amounting to $1.01 million were raised in December 2009 on the basis of 46 requisitions instead of purchase orders. This is not in line with the criteria for the creation of obligations as provided in the Financial Regulations and Rules of the United Nations. A requisition is not a valid obligating document, and should not be used to create obligations. Also, requisitions should not be used to simply reserve funds without underlying contracts as prescribed in the closing instructions from United Nations Headquarters.

21. This matter was brought to the attention of the Tribunal and the financial statements were adjusted accordingly. Nevertheless, the Board is of the view that the Tribunal needs to exercise great care in the creation of unliquidated obligations to ensure that they are in conformity with the criteria established in the financial regulations.

22. **The Board recommends that the Tribunal strictly adhere to the requirements of the Financial Regulations and Rules of the United Nations to ensure that obligations are supported by appropriate obligating documents.**

23. The Tribunal commented that several corrective measures had since been taken to address this issue, including (a) reminding certifying and approving officers of their responsibility to review and monitor the recording of unliquidated obligations; and (b) continuous monitoring of all unliquidated obligations by the Finance Section and reporting on the status of unliquidated obligations to the programme managers at regular interval for their remarks and actions.

Reserves and fund balance

24. The reserves and fund balances showed a deficit of $8.79 million for the biennium under review, compared with a deficit of $38.48 million for the preceding biennium, a reduction of $29.69 million, or 77 per cent, owing mainly to the increase of cash resources.

4. End-of-service liabilities, including after-service health insurance

Valuation of end-of-service liabilities including after-service health insurance

25. In accordance with the request made by the General Assembly in its resolution 64/241, the Board continued its validation of the accrued liabilities for after-service health insurance of the Tribunal. The financial statements for the period under review reflect end-of-service liabilities and post-retirement liabilities amounting to $56.74 million. Of this amount, $23.30 million represents after-service health insurance, $5.36 million relates to unused vacation days, $11.04 million represents repatriation benefits and $17.04 million represents judges' pension benefits. Effective with the biennium ended 31 December 2009, all four liabilities were determined on the basis of an external actuarial valuation using the census data provided by the Tribunal as well as the United Nations system-wide actuarial assumptions.

26. The end-of-service liabilities as at 31 December 2009 were $8.36 million lower than the liabilities of $65.1 million as at 31 December 2007. This decrease was mainly attributable to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of the contribution of active staff as offset in the determination of the Tribunal's after-service health insurance liabilities.

Funding of end-of-service liabilities including after-service health insurance

27. In its previous report (A/65/3/Add.11, paras. 41 and 43), the Board noted that, owing to the recognition of end-of-service liabilities and post-retirement liabilities in the books of accounts without the corresponding funding, the reserves and fund balances as at 31 December 2007 showed a deficit of $38.48 million. The Board recommended that the Tribunal develop a financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of its operations.

28. The Secretary-General, in his report on liabilities and proposed funding for after-service health insurance (A/64/366), recommended the adoption of a dedicated funding strategy for the United Nations and requested the General Assembly's approval of funding of current and future after-service health insurance liabilities of the Tribunal with effect from 1 January 2010. The Advisory Committee on Administrative and Budgetary Questions, in its related report (A/64/7/Add.4), recommended that the General Assembly appropriate resources required to cover the cost of current after-service health insurance participants who retired from the Tribunal. The Advisory Committee also indicated that, recognizing the limited mandate of the Tribunal, the Assembly would need to address its long-term after-service health insurance liabilities in the context of the final performance report. The General Assembly did not make any decision on this issue in its resolution 64/241, which meant that the funding of the Tribunal's after-service health insurance was still pending.

29. With regard to the funding of the judges' pensions, the Advisory Committee recommended that the General Assembly appropriate only those resources required to cover the current cost of pensions in the context of the budget of the Tribunal for the biennium 2010-2011 (A/64/555, para. 8). In accordance with note 8 to the financial statements (see chap. V, sect. B below), the liabilities for future payments

of pensions to judges and surviving spouses should be addressed in the final budget submissions and performance reports of the Tribunal. The General Assembly, in its resolution 64/239, endorsed the conclusions and recommendations contained in document A/64/555.

Discount rate

30. In its previous valuation of the after-service health insurance liability, the Tribunal had used a discount rate of 5.5 per cent. The valuation of the liability as at 31 December 2009 relies on a discount rate of 6.0 per cent.

31. A discount rate is an interest rate used as a common financial practice to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the after-service health insurance liability is composed of benefits that will be paid out by the Tribunal to its retired staff in the future, these benefits are generally discounted so that the reporting entity takes the present value of the future benefits as an estimate for its liability.

32. By construction, the higher the discount rate, the lower the present value of future amounts. Hence, all things being equal, the increase in the discount rate used by the Tribunal resulted in a lower after-service health insurance liability compared to the previous financial period. In this regard, note 6 to the financial statements indicates that a 1 per cent increase in the discount rate would result in a 16 per cent decrease of the after-service health insurance liability.

33. International Public Sector Accounting Standard No. 25, which serves as a reference for the actuarial methodology used for the valuation of the after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. It states, however, in paragraph 91 that "the rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations". It further specifies, in paragraph 94, that "an entity makes a judgment whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high quality corporate bonds or by another financial instrument".

34. Like most of the methodological elements used for the actuarial valuation of the after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all the entities that participate in the same health plans and for which the United Nations coordinated the valuation exercise.

35. According to the United Nations, the objective of selecting a discount rate when valuing end-of-service liability benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the necessary future cash flow to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments whose cash flow matches the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

36. The Board, while acknowledging that this methodology is compliant with Accounting Standard No. 25, makes the following comments for consideration in the discussion on the funding of these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates, which have generally tended to decrease over the recent period. This increase resulted in the United Nations deciding not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Given the uncertainties regarding the prescriptions of the Accounting Standards (No. 25 had not yet been adopted), the United Nations had conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent, the rate would then have decreased, instead of increasing for the last valuation, which would have been consistent with the economic environment;

(b) The discount rate is but one example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the accounting standards, this valuation is only an estimate of the actual value of the liability. Consequently, the Tribunal may wish not to regard this as the absolute reference. Valuations based on standards other than accounting ones may yield different results. In this regard, the Board wishes to underline that a financial valuation of the funding needs (or "funding valuation") would give a different value than that resulting from the accounting valuation, which, by construction, is generally more conservative.

5. Results-based budgeting

37. Results-based budgeting is a programme budgetary process in which (a) programme formulation revolves around a set of predetermined objectives and expected results (accomplishments); (b) expected results are derived from and are linked to outputs; and (c) actual performance is measured by objectives and by performance indicators. It uses a logical framework which is formulated to ensure that expected results are specific, measurable, attainable, realistic and time-bound.

Outputs were not specific and measurable

38. The Board reviewed the expected outputs of the three organs of the Tribunal for the biennium 2010-2011 as reflected in the Secretary-General's proposed budget (A/64/478) and noted that the 9 expected outputs of the Chambers, as well as the 11 expected outputs of the Registry, were almost the same as those for the biennium 2008-2009. Four of the seven expected outputs of the Office of the Prosecutor were the same as those for the biennium 2008-2009. The expected outputs of these three organs did not reflect changes in the trial activities shown in the judicial calendars.

39. In addition, some of the expected outputs were formulated at the activity level rather than at the output level. Thus the outputs were not measurable and could not facilitate the monitoring of work. For example, one of the expected outputs of the Registry was formulated as "providing policy guidance and executive direction for the coordination and implementation of a sound and realistic completion strategy" for both the biennium 2008-2009 and the biennium 2010-2011.

40. **The Tribunal agreed with the Board's reiterated recommendation to ensure that outputs are specific and measurable.**

Workload indicator database

41. The workload indicator database was designed by the Tribunal to monitor the accomplishment of the workload projected by different budget units. Each unit is required to record the accomplishment of projected workload indicators on a quarterly basis. However, as at 31 March 2010, out of 23 organization units, 6 had not updated their accomplishments in the database for the period from 2008 to 2009, and 8 had not updated their accomplishments since the first quarter of 2009. In addition, some of the workload indicators in the database were inaccurately recorded. Inaccurate records in the database would adversely affect the workload statistics and the monitoring of the accomplishments.

42. **The Tribunal agreed with the Board's recommendation to periodically review and update the workload indicator database to ensure the accuracy of the statistics.**

43. The Tribunal stated that, as at 22 April 2010, seven units had updated the workload indicators in the database and training would be delivered to all staff concerned.

6. Completion strategy

44. In 2003, the Tribunal, in accordance with Security Council resolution 1503 (2003), formalized the completion strategy with the objectives of completing its investigations by the end of 2004, all trial activities at the first instance by the end of 2008, and all of its work in 2010. The Security Council, in its resolution 1534 (2004), emphasized the importance of fully implementing the completion strategies as set out in resolution 1503 (2003).

45. In its resolutions 1878 (2009) and 1901 (2009), the Security Council took note of the Tribunal's assessment that it would not be in a position to complete all its work in 2010.

46. According to the latest report on the completion strategy of the Tribunal (S/2009/587), the majority of the trial work is expected to be completed by the end of 2010, with some spillovers into 2011. In addition, according to the latest judicial calendar updated by the Tribunal in March 2010, all appeal activities are projected to be completed by the end of 2013.

Time standards

47. To implement the completion strategy, the Tribunal initiated two main time standards for single-accused trial activities with a view to better managing the court proceedings: (a) an average break of six to eight weeks between prosecution and defence; and (b) an average break of eight months between the closing of the evidence and judgement delivery.

48. The Board noted that it took an average of 14 weeks between prosecution and defence for all the single-accused cases where judgements were delivered during the biennium under review and an average of 10.5 weeks for cases ongoing as at 20 April 2010, exceeding the time standard established by the Tribunal.

49. The Board further noted that it took an average of about 11 months between the closing of evidence and judgement delivery for those single-accused cases where

judgements had been delivered during the biennium under review, exceeding the timeline of eight months.

50. The Board is of the view that these two time standards need to be reviewed in terms of precision for the following two reasons: (a) the current time standards were set up without systematically gathering and analysing historical data; and (b) most individual judges were engaged in two or more cases at the same time, which was not fully taken into consideration when the time standards were set up.

51. **The Board recommends that the Tribunal review the existing standards for the time between prosecution and defence and between the closing of evidence and judgement delivery, to ensure that the existing circumstances are fully taken into account.**

7. Legal aid system

Means test

52. According to the Directive on the Assignment of Defence Counsel, the Tribunal conducts means tests to verify the financial positions of the suspects and accused individuals, and the test results are used to determine whether and to what extent they are entitled to receive legal aid. To that end, financial investigator was established by the Tribunal in 2003. In addition, significant financial resources have been put into the verification of the assets of the accused and suspects.

53. Though resources had been put in, most of the means tests had not been completed in a timely manner owing to inadequate responses from referees of the tests. As at 1 April 2010, all detainees were still treated as indigent and were granted legal aid.

54. The Tribunal stated that it had noted the unsatisfactory results of the means test and agreed that the current options for conducting means tests were not cost-effective in the light of the resources put in. The Board is thus of the view that alternative options for the means test need to be considered.

55. **The Tribunal agreed with the Board's recommendation to explore alternative options for conducting means tests in a cost-effective manner.**

8. Procurement and contract management

Ex post facto cases

56. The Tribunal had submitted three procurement cases to the Headquarters Committee on Contracts for review in 2008, of which two were ex post facto cases. The first case relates to the increase of the not-to-exceed amount for fuel supply by $448,800. The Tribunal explained that it did not realize that the originally approved not-to-exceed amount was exceeded by approximately $135,000 one year before the expiration of the contract. This indicates a lack of monitoring of the amount spent. The other ex post facto case relates to an amendment of the existing office premises rental contract. The reason given for this case was that a Local Committee on Contracts quorum could not be obtained in a timely manner.

57. **The Tribunal agreed with the Board's recommendation (a) to monitor all not-to-exceed amount contracts in order to avoid ex post facto cases; and (b) to**

ensure that the quorum of the Local Committee on Contracts meetings is available when needed.

Bid bond clause

58. As required by the Procurement Manual, the requirement for a bid bond or similar security, such as certified check, should be included in the solicitation documents. However, the solicitation documents for the two procurement cases relating to the project access control team project and the acquisition of fuel did not include the requirement for bid bonds. The interest of the Tribunal might not be protected in the absence of a bid bond requirement clause in solicitation documents.

59. **The Tribunal agreed with the Board's recommendation to include bid bond clauses in solicitation documents for future procurement exercises where applicable.**

Acquisition plan

60. The requisitioning sections did not provide any proposed revisions to the plans at no more than three-month intervals as required by the Procurement Manual. In addition, the plans were incomplete and some of the key information, such as estimated quantity and delivery date, was not included. This resulted in the Procurement Section not having sufficient information to solicit bids. The unavailability of essential information in the acquisition plan is likely to delay the acquisition of goods and services.

61. **The Tribunal agreed with the Board's recommendation to periodically update its acquisition plans and to ensure the completeness of the acquisition plans as required by the Procurement Manual.**

Vendor performance evaluation

62. Based on sample tests carried out, the Board noted the following deficiencies in relation to vendor performance evaluation:

(a) Fifteen vendor performance reports were not prepared within a reasonable timeframe after the close of each year;

(b) Ten vendor performance evaluations in relation to contracts exceeding the value of $200,000, or with a term longer than two years, were conducted using the supplier performance report form instead of the contractor performance report as required by the Procurement Manual;

(c) Three contracts were extended without evidence that a vendor performance evaluation had been conducted. This is not in line with the requirement of the Procurement Manual;

(d) One supplier performance evaluation was conducted in April 2010, more than 18 months after the expiration date of the contract (30 September 2008).

63. The non-adherence to the requirements of the Procurement Manual in relation to vendor performance evaluation can adversely affect the quality and timeliness of the acquisition of goods and services.

64. **The Tribunal agreed with the Board's recommendation to ensure strict compliance with the Procurement Manual in relation to vendor performance evaluation.**

9. Non-expendable property management

65. Non-expendable property consists of property and equipment valued at $1,500 or more per unit at the time of purchase and with a serviceable life of five years or more. According to note 7 to the financial statements (see chap. V, sect. 8 below), of the amount of $20.02 million shown as non-expendable property as at 31 December 2009, $1.15 million represented assets approved for write-off but not yet disposed of, while $1.27 million represented assets pending approval for write-off. The Tribunal indicated that this was due mainly to changes in the judicial calendar requiring the Tribunal to continue using those assets, since there were no funds available to procure more.

Discrepancies and reconciliation

66. On the basis of a physical count conducted by the Tribunal, as at 12 April 2010, 1,625 discrepancies were identified, resulting mainly from incorrect locations being recorded in the database. In addition, 339 items with a value of $465,279 could not be located. As at 12 March 2010, of the 11,665 items of non-expendable property recorded in the field assets control system, 3,323 items did not have an indication of the status of their condition, while 557 items were without bar codes.

67. The Board is concerned that these discrepancies reflect adversely on the quality of asset management of the Tribunal. This matter was also highlighted by the Office of Internal Oversight Services.

68. **The Tribunal agreed with the Board's recommendation to investigate the discrepancies relating to non-expendable property and take appropriate measures to ensure that its asset records are accurate and reliable.**

69. The Tribunal commented that the discrepancies were partially due to the frequent technical breakdown of the field assets control system and that it was in the process of introducing the Galileo system.

10. Expendable property management

70. Expendable property consists of property and equipment valued at less than $1,500 per unit at the time of purchase and with a serviceable life of less than five years. The total value of unused expendable property in the Tribunal recorded in the field assets control system amounted to $2.61 million as at 31 December 2009.

71. Sample tests carried out in the supply warehouse revealed the following deficiencies: (a) the unit prices of 5 out of 33 categories of expendable property were inaccurately recorded in the field assets control system, resulting in an overstatement of $40,851; and (b) actual quantities of 23 categories were less than those recorded in the system owing to the latter not being updated in a timely manner. The Board is concerned that these discrepancies reflect adversely on the quality of management of expendable property in the Tribunal.

72. **The Tribunal agreed with the Board's recommendation to ensure that the field assets control system is updated in a timely manner in respect of receipts and issuance of expendable property.**

11. Human resources management

Vacancy rates

73. The Board in its previous report (A/63/5/Add.11) had noted a 16 per cent vacancy rate and recommended that the Tribunal formulate and implement more effective strategies to fill vacancies. As at 31 December 2009, 105 of the 693 authorized posts for the Tribunal were vacant, representing a 15 per cent vacancy rate. An age analysis of these vacant posts revealed that they had been vacant for an average of 219 days, with the longest being 1,199 days.

74. Sample tests revealed that the average time to complete the recruitment of international and local staff members was 424 days and 289 days, respectively. The Tribunal stated that the high vacancy rates and the lengthy recruitment lead time were due mainly to its inability to provide long-term appointments. The Board is concerned about the impact of the long vacancy periods on the achievement of the completion strategy.

75. **The Tribunal agreed with the Board's recommendation that it conduct a review of the long-vacant posts to determine whether they are still needed.**

76. **The Tribunal also agreed with the Board's reiterated recommendation to continue its efforts to formulate and implement strategies to fill vacancies.**

Staff selection

77. Four recruitment cases were noted, in which the provisions governing the eligibility of internal candidates, the advertisement of vacancies and the consideration and selection of candidates as stipulated in the administrative instruction on the staff selection system (ST/AI/2006/3) were not fully observed:

(a) The case of recruitment for a P-3 post revealed that a staff member on temporary appointment was incorrectly considered as an internal candidate, and was later selected while 26 other external candidates applying for the post were not considered. The programme manager who shortlisted and recommended candidates and the chair of the meeting of the Central Review Board were the same person, which was not in line with the principle of segregation of authority;

(b) The case of recruitment for a G-5 post revealed that two candidates were recommended, one internal and one external. The programme manager selected the external candidate although that candidate did not meet the working experience requirements set forth in the vacancy announcement. No justification was given as to why the internal candidate was not selected;

(c) The case of recruitment for an FSL-5 post (fixed-term appointment) revealed that there was no evidence that the post had been cleared for recruitment and had been advertised. However, the case was presented to the Central Review Board by using a vacancy announcement for temporary staff for a duration of six months. The Central Review Board approved the selection proposed by the programme manager and put five candidates on the roster, four of whom were later selected against vacant posts through fixed-term appointments without advertising

the vacancies internally for seven days as prescribed for the Tribunal by the Office of Human Resources Management at Headquarters;

(d) The case of recruitment for an FS-4 post revealed that the programme manager shortlisted, evaluated and recommended three external candidates while there was no evidence showing that the programme manager had considered the three internal candidates, who should be given priority in consideration according to the new staff selection system. The Board further noted that the programme manager's proposal for selection of these three external candidates was later rejected by the Central Review Board.

78. **The Tribunal agreed with the Board's recommendation to strictly follow the procedures and provisions stipulated in the staff selection system in relation to the staff selection process.**

Reference checks

79. At the Tribunal, reference checks consisted of the following three steps for all staff appointments, irrespective of the duration of the appointment:

(a) Contacting the candidate's previous employers to confirm employment;

(b) Confirming with the educational institutions concerned the qualifications and degrees listed by the candidate;

(c) Making contact with three individual references provided by the candidate.

80. The Tribunal indicated that the reference checks with educational institutions and previous employers were particularly important to ensure that candidates did not secure appointment by misrepresenting the information and that reference checks were to be conducted (a) as soon as a candidate was shortlisted for a position, but not later than the selection was finalized; or (b) prior to inclusion on the roster.

81. The Board reviewed the process of reference checks for 161 staff members recruited in the biennium 2008-2009 and noted that for 45 staff members, or 28 per cent, no reference checks had been initiated. In addition, of the 116 attempted reference checks, only one had been fully responded to. Inadequate reference checks could expose the Tribunal to the risk of unsuitable candidates being appointed.

82. **The Board recommends that the Tribunal intensify its efforts to comply with the requirement for reference checks to be completed before new staff members are recruited.**

83. The Tribunal commented that reference checks could not be completed before staff members came on board as the procedure is lengthy and depends on the cooperation of the academic institutions or employers. The Tribunal indicated that it would continue its practice of undertaking reference checks as soon as a shortlist of candidates found qualified by interview panels was communicated.

12. Consultants, experts and temporary assistance

84. For the biennium 2008-2009, a total of 100 contracts had been awarded to 56 consultants. The Board reviewed the consultant selection and evaluation process and noted a number of deficiencies.

Selection of consultants

85. Although some broad guidelines had been provided in the administrative instruction on consultants and individual contractors (ST/AI/1999/7 and Amend.1), there were no specific guidelines or instructions on how the programme managers should shortlist, evaluate and select candidates. In addition, consultancy opportunities were not advertised either internally or externally.

86. The absence of specific guidelines on the selection of consultants could expose the Tribunal to lack of clarity and inconsistency in matters relating to the selection of consultants. In addition, advertising opportunities for consultancy services could increase the Tribunal's reach to potential qualified consultants, thus improving competition.

87. **The Tribunal agreed with the Board's recommendation that it (a) prepare, in consultation with the Office of Human Resources Management, a specific guideline for selection of consultants; and (b) advertise consultancy opportunities both internally and externally.**

Consultant evaluation

88. The Board reviewed a sample of 20 consultants' evaluation reports and noted that 11 consultants were only given an overall performance rating while the detailed evaluations of quality of work and results achieved were not completed by the programme managers. This is not in line with the provisions of administrative instruction ST/AI/1999/7.

89. **The Tribunal agreed with the Board's recommendation that it comply with the provisions of ST/AI/1999/7 in relation to the evaluation of consultants.**

13. Information technology

90. The Tribunal had established its disaster recovery and business continuity plan in 2003 and updated it in 2008. Each responsible component was required to comprehensively test the plan to demonstrate its ability to ensure business continuity during an emergency.

91. The Tribunal indicated that it had never conducted testing on its disaster recovery and business continuity plan because its resources were focused on supporting day-to-day operations. In addition, two incidents occurred in the biennium 2008-2009, one resulting in 72 hours disruption of e-mail services and the other causing a shutdown of several network systems. The Board is concerned that the lack of testing of the plan may cause the potential deficiencies to go undetected, which may expose the Tribunal to possible disruption of operations in the future.

92. **The Tribunal agreed with the Board's recommendation to conduct periodic testing of its disaster recovery and business continuity plan.**

14. Security management

93. The Tribunal implemented the project access control team project to improve the security control of its premises. There were, however, several deficiencies in relation to this project, which had been communicated to the Tribunal along with suggestions for improvement.

94. The Tribunal stated that it had initiated a joint security management team with the Arusha International Conference Centre and the East African Community (a co-tenant at the Centre) with the aim of harmonizing security measures within the Centre complex. The Tribunal also informed the Board that a field security check had been scheduled for May 2010 by the Department of Safety and Security.

15. Internal audit function

Vacancy

95. The post of resident auditor had been vacant for nine months as at 25 April 2010. As a result, audit assignments completed during the biennium covered only five out of the ten high-risk areas identified.

96. **The Office of Internal Oversight Services agreed with the Board's recommendation to expedite the filling of the vacant post of resident auditor at the Tribunal.**

Lead time in the issuance of audit reports

97. The Board noted that it took an average of 189 days between the field work end date and the issue date of the final report. This is beyond the time standard of 75 working days set in the audit manual of the Internal Audit Division, Office of Internal Oversight Services.

98. The Office of Internal Oversight Services stated that the delay in issuance of the final reports had been caused by a combination of factors, including the unexpected departure of staff, and the request for additional time to communicate with the clients and review the reports. The delay in issuing internal audit reports would militate against the effectiveness of the internal audit function. Delayed reporting would also result in a backlog of audits.

99. **The Office of Internal Oversight Services agreed with the Board's recommendation to ensure that the resident audit office for the Tribunal observe the deadline for issuing audit reports.**

16. Internal audit findings

100. The key findings contained in the reports of the Office of Internal Oversight Services during the biennium 2008-2009 are as follows:

(a) In the audit of property management, insufficient attention was paid to ensuring the accuracy and completeness of data in the asset database and internal controls needed to be strengthened in the area of accountability for follow-up on missing assets. Also, the Office noted long delays in the disposal of assets that had been approved by the Local Property Survey Board/Headquarters Property Survey Board;

(b) In the audit of the Tribunal completion strategy, the Office of Internal Oversight Services noted that although a number of initiatives had been put in place to improve trial management and retain staff, insufficient attention had been paid to monitoring their effectiveness, which could affect the accuracy of estimates made for achievement of the completion strategy;

(c) In the audit of planning and monitoring of court schedules in the Tribunal, the Office expressed the view that the Tribunal needed to take additional measures in order to strengthen its planning and monitoring of court schedules.

C. Disclosures by management

1. Write-off of cash, receivables and property

101. The Tribunal informed the Board that in accordance with financial rule 106.9, property of $108,824 ($223,278 in 2006-2007) had been written off during 2008-2009. In accordance with financial rule 106.8, losses amounting to $15,348 were also written off in respect of accounts receivable, comprising $4,333 in receivables from separated staff members and $11,015 from others.

2. Ex gratia payments

102. As required by rule 105.12, the Tribunal reported that no ex gratia payments were made during the period under review.

3. Cases of fraud and presumptive fraud

103. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, the Tribunal reported to the Board the following three cases of fraud and presumptive fraud:

(a) A staff member had requested and received a favour and benefit from a United Nations vendor, in the form of a discount on a hotel room. The staff member was reprimanded and training was organized for him on ethics in the procurement process;

(b) A staff member fraudulently claimed and was paid an assignment grant of $9,706 and security allowance of $1,800. The staff member was separated and the sum of $11,506 paid to her was recovered in full;

(c) A staff member requested and received a residential security allowance of $3,200 but did not have an alarm or security guards at his residence. The staff member was given a letter of warning and the Tribunal was in the process of recovering the money.

D. Acknowledgement

104. The Board wishes to express its appreciation to the President, the Prosecutor, the Registrar and the staff of the Tribunal for the cooperation and assistance extended to its staff.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2007[a]

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	Reconsider the disclosure of the statement of cash flows to include its share in the cash pool	31	2006-2007	X	—	—	—
2.	Develop a financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of its operations	43	2006-2007	X	—	—	—
3.	Define clearly the objectives of the Chambers and develop specific, measurable, attainable, realistic and time-bound expected outputs and performance indicators	48	2006-2007	—	X	—	—
4.	Ensure that all of its suppliers have complete records/information on file as required by paragraphs 7.11.4 and 7.7.4 of the Procurement Manual, to guarantee that only qualified vendors are called upon to provide required goods and services	53	2006-2007	—	X	—	—
5.	Monitor compliance with the requirement for the preparation of performance evaluation reports in accordance with administrative instruction ST/AI/2002/3	67	2006-2007	X	—	—	—
6.	Continue to formulate and implement more effective strategies to fill vacancies, such as regularly evaluating the performance of staff members initially recruited against general temporary assistance funds and placing them against authorized posts	72	2002-2003	—	X	—	—
7.	That the Tribunal, specifically the Registry and the Chambers, prepare performance reports on time	84	2006-2007	X	—	—	—
8.	Revisit, particularly for the Office of the Prosecutor, its targets/objectives and its performance indicators to ensure that any risks/constraints that might hinder the accomplishment of objectives can be properly addressed	87	2006-2007	X	—	—	—
	Total		**8**	**5**	**3**	**0**	**0**
	Percentage		**100**	**63**	**37**	**0**	**0**

[a] A/63/5/Add.11.

Chapter III
Certification of the financial statements

1. The financial statements of the United Nations International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the Tribunal during the period covered by these statements, for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the United Nations International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994, numbered I to IV, are correct.

(*Signed*) Jun **Yamazaki**
Assistant Secretary-General
Controller

29 March 2010

Chapter IV
Financial report for the biennium ended 31 December 2009

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium 2008-2009. The accounts consist of four statements and the related notes.

2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex, which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules.

B. Overview

3. The total income for the biennium increased by 10.2 per cent from $281.2 million to $310.0 million, owing mainly to an increase in assessed contributions of $28.3 million.

4. The budget of the Tribunal for the biennium 2008-2009 totalled $304.5 million, as appropriated by the General Assembly in its resolutions 62/229, 63/254 and 64/239. Actual expenditures for the biennium amounted to $291.9 million, leaving an unencumbered balance of $12.6 million which was attributable mainly to a surplus of $8.3 million in the Registry and $3.0 million in the Office of the Prosecutor. The 2008-2009 expenditure of $291.9 million represented an increase of 5.3 per cent over the expenditure of $276.4 million in the biennium 2006-2007.

5. The following table shows the amount of expenditure by functional category:

(Thousands of United States dollars)

Functional category	*2009*	*2007*
Staff and other personnel costs	228 800	218 749
Travel	12 800	12 923
Contractual services	30 278	24 438
Operating expenses	14 602	12 767
Acquisitions	2 621	5 085
Other	2 825	2 471
Total	**291 926**	**276 433**

6. The following table shows expenditure by functional category as a percentage of the total:

(Percentage)

Functional category	*2009*	*2007*
Staff and other personnel costs	78.4	79.1
Travel	4.4	4.7
Contractual services	10.4	8.9
Operating expenses	5.0	4.6
Acquisitions	0.9	1.8
Other	0.9	0.9
Total	**100.0**	**100.0**

7. Overall cash as at 31 December 2009 totalled $54.7 million, reflecting an increase of $34.4 million over the amount of $20.3 million in the previous biennium. The increase was due mainly to the net excess of income over expenditures, lower assessed contribution receivables and higher payables.

8. Effective the current biennium, the Tribunal's end-of-service liabilities relating to repatriation benefits and unused vacation days were also determined on an actuarial basis as described in note 6 to the financial statements. The accrued liabilities for after-service health insurance, repatriation benefits, unused vacation days and judges' pension benefits as of 31 December 2009 amounted to $23.3 million, $11.0 million, $5.4 million and $17.0 million, respectively, totalling $56.7 million. This is a reduction of $8.4 million compared with the total of $65.1 million as at 31 December 2007, with decreases for after-service health insurance, repatriation benefits and unused vacation days of $4.2 million, $2.5 million and $5.8 million, respectively, offset by an increase for judges' pension benefits of $4.1 million.

Annex

Supplementary information

1. The annex provides supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, receivables amounting to $15,348 were written off during the biennium 2008-2009.

Write-off of property losses

3. In accordance with the financial rule 106.9, property losses amounting to $108,824 were written off during the biennium 2008-2009.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2008-2009.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I
International Criminal Tribunal for Rwanda[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	2009	*2007*
Income		
Assessed contributions[b]	305 379	277 128
Interest income	3 489	2 919
Other/miscellaneous income	1 092	1 151
Total income	**309 960**	**281 198**
Expenditure		
Staff and other personnel costs	228 800	218 749
Travel	12 800	12 923
Contractual services	30 278	24 438
Operating expenses	14 602	12 767
Acquisitions	2 621	5 085
Other	2 825	2 471
Total expenditure	**291 926**	**276 433**
Excess (shortfall) of income over expenditure	**18 034**	**4 765**
Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[c]	8 361	(9 115)
Prior-period adjustments[d]	(90)	(74)
Net excess (shortfall) of income over expenditure	**26 305**	**(4 424)**
Cancellation of prior-period obligations	3 383	3 923
Other adjustments to reserve and fund balances	—	(55 989)
Reserves and fund balances, beginning of period	(38 479)	18 011
Reserves and fund balances, end of period	**(8 791)**	**(38 479)**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolutions 62/229 and 63/254, assessments for the Tribunal are based in part on the scale of assessments applicable to the United Nations regular budget and in part on the scale of assessments applicable to peacekeeping operations.

[c] Represents net decreases in accrued liabilities for after-service health insurance costs of $4,197,000, for repatriation benefits of $2,513,000 and for unused vacation days of $5,796,000 and a net increase of judges' pension benefits of $4,145,000. See note 6.

[d] Includes write-off of unpaid assessed contribution of $74,857 that was due from the former Yugoslavia pursuant to General Assembly resolution 63/249.

The accompanying notes are an integral part of the financial statements.

Statement II
International Criminal Tribunal for Rwanda[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2009

(Thousands of United States dollars)

	2009	*2007*[b]
Assets		
Cash and term deposits	1 544	1 118
Cash pool[c]	53 170	19 202
Assessed contributions receivable from Member States[d]	9 678	15 013
Inter-fund balances receivable	1 202	2 293
Other accounts receivable	2 380	2 689
Deferred charges	1 186	1 342
Other assets	155	106
Total assets	**69 315**	**41 763**
Liabilities		
Contributions or payments received in advance	75	84
Unliquidated obligations — current period	19 190	13 483
Other accounts payable	1 948	1 565
Other liabilities	150	6
End-of-service and post-retirement liabilities[e]	56 743	65 104
Total liabilities	**78 106**	**80 242**
Reserves and fund balances		
Cumulative surplus (deficit)	(8 791)	(38 479)
Total reserves and fund balances	**(8 791)**	**(38 479)**
Total liabilities and reserves and fund balances	**69 315**	**41 763**

[a] See notes 2 and 3.

[b] Comparative figures have been reclassified to conform to current presentation.

[c] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $13,497,086, short-term investments of $13,125,842 (market value $13,151,036), long-term investments of $26,271,877 (market value $26,575,632) and accrued interest receivable of $275,685.

[d] Includes assessed contributions unpaid irrespective of collectability.

[e] Represents accrued liabilities for after-service health insurance costs of $23,296,000, for repatriation benefits of $11,045,000, for unused vacation days of $5,364,000 and for judges' pension benefits of $17,038,000. See note 6.

The accompanying notes are an integral part of the financial statements.

Statement III
International Criminal Tribunal for Rwanda[a]

Statement of cash flows for the biennium ended 31 December 2009

(Thousands of United States dollars)

	2009	*2007[b]*
Cash flows from operating activities		
Net excess (shortfall) of income over expenditure (Statement I)	26 305	(4 424)
(Increase) decrease in contributions receivable	5 335	(3 646)
(Increase) decrease in inter-fund balances receivable	1 091	89
(Increase) decrease in other accounts receivable	309	483
(Increase) decrease in deferred charges	156	4 145
(Increase) decrease in other assets	(49)	74
Increase (decrease) in contributions or payments received in advance	(9)	75
Increase (decrease) in unliquidated obligations	5 707	(2 120)
Increase (decrease) in other accounts payable	383	(175)
Increase (decrease) in other liabilities	144	(1)
Increase (decrease) in end-of-service and post-retirement liabilities	(8 361)	65 104
Less: interest income	(3 489)	(2 919)
Net cash flows from operating activities	**27 522**	**56 685**
Cash flows from investing activities		
Interest income	3 489	2 919
Net cash flows from investing activities	**3 489**	**2 919**
Cash flows from financing activities		
Cancellation of prior-period obligations	3 383	3 923
Other adjustments to reserves and fund balances	-	(55 989)
Net cash flows from financing activities	**3 383**	**(52 066)**
Net increase (decrease) in cash and term deposits and cash pool	**34 394**	**7 538**
Cash and term deposits and cash pool, beginning of period	20 320	12 782
Cash and term deposits and cash pool, end of period	**54 714**	**20 320**

[a] See notes 2 and 3.

[b] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement IV
International Criminal Tribunal for Rwanda

Statement of appropriations for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
Programme of work	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditure*	*Balance*
A. Chambers	8 997	1 961	10 958	10 608	43	10 651	307
B. Office of the Prosecutor	53 074	4 526	57 600	53 514	1 104	54 618	2 982
C. Registry	176 762	27 030	203 792	181 292	14 173	195 465	8 327
D. Records management and archives	8 633	(1 610)	7 023	2 499	3 870	6 369	654
E. Staff assessment	19 890	5 275	25 165	24 823	—	24 823	342
Total	**267 356**	**37 182**	**304 538**	**272 736**	**19 190**	**291 926**	**12 612**

[a] The appropriations for the biennium 2008-2009 were approved by the General Assembly in resolutions 62/229, 63/254 and 64/239.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance and facilitate post-conflict peacebuilding, engaging in humanitarian activities to ensure the survival of groups deprived of basic needs and overseeing the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly and the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination. The Organization follows International Accounting Standard 1, "Presentation of financial statements", regarding the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed, together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund-accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-

entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards of the High-level Committee on Management.

(i) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and for the peacekeeping accounts, which are reported on a fiscal-year basis covering the period from 1 July to 30 June.

(j) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund, are assessed on Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed on non-member States that agree to pay reimbursement of costs for their participation in the Organization's treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or are noted in the financial statements;

(v) Income received under inter-organization arrangements represents the allocation of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to the provision of technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instrument and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, net gains resulting from currency translations, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed on non-member States as stated in paragraph (j) (iii) above, monies accepted for which no purpose was specified, and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income as referred to in paragraph (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. The inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in item (l) (vi) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value: long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for as set out in item (l) (ii) above. The share in the cash pools is reported separately in each participating fund's statement and its composition and the market value of its investments are disclosed in a footnote to the statement;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities, and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits, unused vacation days and judges' pension benefits. Previously, the accrued liabilities recorded for after-service health insurance and judges' pension benefits were based on actuarial valuation whereas the liabilities for repatriation benefits and unused vacation days were recorded on the basis of current costs, without discounting or other adjustments. With effect from the biennium ended 31 December 2009, all four groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The change with respect to repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with paragraph 18 of the United Nations system accounting standards, is made in order for more reasonable estimates of these liabilities to be incorporated in the financial statements (see note 6);

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its

mandated contribution at the rate established by the General Assembly, currently 7.9 per cent of the applicable pensionable remuneration for the participant and 15.8 per cent for the Organization, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the General Assembly had not invoked that provision.

Note 3
International Criminal Tribunal for Rwanda (statements I-IV)

(a) The International Criminal Tribunal for Rwanda was established by the Security Council in its resolution 955 (1994). The Tribunal consists of the following organs:

(i) The Chambers, comprising three Trial Chambers and an Appeals Chamber. The Chambers are composed of 16 permanent independent judges, no two of whom may be nationals of the same State, and a maximum at any one time of nine ad litem independent judges, no two of whom may be nationals of the same State. The Security Council, in its resolution 1901 (2009), decided to temporarily allow the total number of ad litem judges to increase to 12 at any one time, returning to a maximum of nine by 31 December 2010. Three permanent judges and a maximum at any one time of six ad litem judges are members of each Trial Chamber. Seven of the permanent judges are members of the Appeals Chamber. The Appeals Chamber is, for each appeal, composed of five of its members. The Appeals Chamber serves both the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia;

(ii) The Office of the Prosecutor. The Prosecutor is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Tribunal;

(iii) The Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal.

(b) The General Assembly, in its resolutions 62/229, 63/254 and 64/239, approved the budget appropriations for the biennium 2008-2009. Annual budget apportionments are funded by assessments on Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the Trust Fund to support the activities of the International Tribunal for Rwanda in carrying out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium.

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(d) Statement II shows the assets, liabilities and reserves and fund balances as at 31 December 2009. Excluded from the assets is the value of non-expendable property (see note 7).

(e) Statement III shows the cash flows for the period. It is prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards.

(f) Statement IV reports on expenditures against the appropriation approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 62/229, 63/254 and 64/239, the appropriations and gross assessments for the biennium 2008-2009 are as follows (in thousands of United States dollars):

	2008	*2009*	*Total*
Initial budget appropriation (resolution 62/229)	133 678	133 678	267 356
Add: Appropriation under resolution 63/254	—	38 023	38 023
Less: Appropriation under resolution 64/239	—	(841)	(841)
Revised appropriation (resolution 64/239)	133 678	170 860	304 538
Add: Increase in appropriation for the biennium 2006-2007 assessed in 2008 (resolution 62/229)	2 385	(2 385)	—
Add: Decrease in appropriation for the biennium 2008-2009 to be adjusted against the assessment in 2010 (resolution 64/239)	—	841	841
Gross amounts assessed on Member States	**136 063**	**169 316**	**305 379**

Note 5
Assets, liabilities and reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2009 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. On the basis of this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2009 (ST/ADM/SER.B/796,

annex XXIII). The report shows total unpaid assessments of $9,677,570, compared to $9,677,572 in the assessed contributions receivable in the financial statements. The difference is related to rounding variances. An amount of $74,857 that was due from the former Yugoslavia has been written off pursuant to General Assembly resolution 63/249. Of the total unpaid assessments, $2,467,195 are over one year old and $7,210,375 are less than one year old.

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2009 compared with those as at 31 December 2007 (in thousands of United States dollars):

	2009	*2007*
Governments	176	121
Staff members	1 881	2 032
Vendors	8	77
United Nations entities	247	79
Others	68	380
Total	**2 380**	**2 689**

(d) Other accounts payable. The following is the composition of the other accounts payable balances as at 31 December 2009 compared with those as at 31 December 2007 (in thousands of United States dollars):

	2009	*2007*
Staff members	896	331
Vendors	4	29
United Nations entities	37	118
Others	61	108
Provision for repatriation grants	950	979
Total	**1 948**	**1 565**

Note 6
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits, commutation of unused vacation days and judges' pension benefits. As disclosed in note 2 (m) (v) above, with effect from the biennium ended 31 December 2009, all four liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance:

(i) At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of

participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent and health-care escalation rates of 9.5 per cent in 2008 grading down to 5.0 per cent in 2015 and later years for United States medical plans and 5.7 per cent in 2008 grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund's retirement, withdrawal and mortality assumptions since the 2007 valuation;

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Tribunal's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Tribunal's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Tribunal's share shall not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios;

(iv) On the basis outlined in paragraphs (ii) and (iii) above, the present value of the accrued liability as at 31 December 2009, net of contributions from plan participants, was estimated at $23,296,000. This reflects actuarial gains of $8,677,000 resulting from the updating and refinement in actuarial assumptions noted in paragraphs (ii) and (iii) above and based on updated census, health-insurance claim and other data;

After-service health insurance liability	*Accrued liability (thousands of United States dollars)*
Gross liability	42 159
Offset by contributions from plan participants	(18 863)
Net liability	**23 296**

(v) Further to the assumptions set out in paragraph (ii) above, it is estimated that the present value of the liability would increase by 20 per cent or decrease

by 16 per cent if the medical cost trend increased or decreased by 1 per cent, respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 20 per cent or decrease by 16 per cent if the discount rate decreased or increased by 1 per cent, respectively, all other assumptions held constant.

(c) Repatriation benefits:

(i) At the end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were calculated on the basis of current costs as of the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4 per cent per annum;

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $11,045,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $13,929,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $2,884,000.

(d) Unused vacation days:

(i) At the end of service, staff members holding fixed-term or continuing appointments may commute unused vacation days up to a maximum of 60 working days;

(ii) As referred to in note 2 (m) (v) above, a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated on the basis of current costs as of the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members;

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $5,364,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $10,035,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $4,671,000.

(e) Upon retirement, judges of the Tribunal are entitled to a pension, which is not payable by the Pension Fund. As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of the liabilities related to judges' pensions. The major assumptions used by the actuary were a discount rate of 6.5 per cent, standardized mortality tables and cost-of-living increases at an annual rate of 3.0 per cent. On the basis of these assumptions, the Tribunal's accrued liability for judges' pension benefits as at 31 December 2009 was estimated at $17,038,000.

Note 7
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The Tribunal's non-expendable property, valued at historical cost, according to its cumulative inventory records, was as follows (in thousands of United States dollars):

Balance, 1 January 2008	20 169
Acquisitions	2 077
Write-offs: accidents, thefts and damages	(109)
Dispositions	(970)
Adjustments[a]	(1 145)
Balance, 31 December 2009[b]	**20 022**

[a] Represents primarily adjustments resulting from the exclusion of items that had previously been included but were determined to be expendable properties.

[b] Includes $1,149,418 for non-expendable property approved for write-off but not yet disposed of and $1,270,378 for non-expendable property pending approval for write-off.

Note 8
Future operations

(a) In its resolution 1534 (2004), the Security Council emphasized the importance of fully implementing the completion strategies as set out in its resolution 1503 (2003), in which it called on the Tribunal to take all possible measures to complete investigations by 2004, to complete all trial activities at the first instance by the end of 2008 and to complete all work in 2010, and urged the Tribunal to plan and act accordingly. In its resolutions 1878 (2009) and 1901 (2009),

the Security Council took note of the Tribunal's assessment that it would not be in a position to complete all of its work in 2010.

(b) The Tribunal has been taking measures to expedite its work. Trial activities are expected to continue during the first half of 2010; thereafter, the focus at the trial level will be on judgement drafting as well as some remaining trial proceedings and evidence preservation hearings. The Tribunal envisages completing the large majority of the trial work by the end of 2010, but some spillovers into 2011 are expected. Periodic reports are provided to the Security Council.

(c) Discussions on the issue of residual functions are ongoing with the working group of the Security Council, with the aim of finalizing a proposal for consideration by the Council and the General Assembly. With respect to the funding of post-retirement benefits, the General Assembly, in its resolution 64/239, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the liabilities for future payments of pensions to judges and surviving spouses be addressed in the final budget submission and performance report of the Tribunal. With respect to after-service health insurance, the General Assembly, in its resolution 64/241, asked the Secretary-General to submit to it at its sixty-seventh session, a report on managing after-service health insurance liabilities.

Annex

Trust Fund to support the activities of the International Tribunal for Rwanda

Schedule of income, expenditure, reserves and fund balances for the biennium ended 31 December 2009 (in thousands of United States dollars)

	Reserves and fund balances beginning of period	*Income*	*Expenditure and other adjustments*	*Reserves and fund balances end of period*
Trust Fund to support the activities of the International Tribunal for Rwanda	1 429	1 339	1 582	1 186

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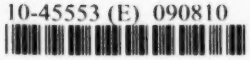

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